

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL ONE)

Docket No. RM2018-4

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE  
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES  
IN ANALYTICAL PRINCIPLES (PROPOSAL ONE)  
(May 17, 2018)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, relating to sampling procedures for the DPS portion of RCCS data used for the distribution of rural carrier costs within the CRA Report, is labeled Proposal One and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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## **PROPOSAL ONE**

### **Proposal to Change the Current Rural Carrier Cost System (RCCS) Methodology for Estimating Delivery Point Sequence (DPS) Volume Proportions**

#### **OBJECTIVE:**

This proposal involves a methodology change in RCCS data collection procedures (and thus ultimately the volume proportion estimation procedures used for cost distribution) for a specific portion of the mailstream – certain mail that has been Delivery Point Sequenced, or DPS mail. This proposal mirrors Proposal Nine, Docket No. RM2017-13, to use digital image samples for the City Carrier Cost System (CCCS), which was recently approved by the Commission.<sup>1</sup> Specifically, starting in FY 2018, this proposal seeks to use data from Origin-Destination Information System – Revenue, Pieces, and Weight (ODIS-RPW) digital samples destined for delivery by rural carriers to enhance the estimation of RCCS delivered DPS volumes and replace a large portion of manual sampling of DPS letter trays by RCCS data collectors.

#### **BACKGROUND:**

The Rural Carrier Cost System (RCCS) is a continuous, ongoing cross-sectional statistical study, or probability sample of rural carrier route-days. Approximately 6,400 RCCS samples are scheduled each Fiscal Year. For each selected route-day, a sample of mail is selected, and for each selected mailpiece, the class, compensation category, shape, and other characteristics are recorded directly into a portable microcomputer using the Computerized On-Site Data Entry Systems (CODES)

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<sup>1</sup> Proposal Nine was accepted by the Commission in Order No. 4278 on December 15, 2017.

software. RCCS data are primarily used to distribute rural carrier costs among the products that rural carriers deliver.

The volume and revenue estimation system, ODIS-RPW, is also a probability based destinating mail sampling system in which data collectors are also recording mail characteristics from sampled mail pieces. Since the approval of Proposal Three in Docket No. RM2015-11 in Commission Order No. 2739 (September 30, 2015), ODIS-RPW data collectors enter mail characteristics from digitally captured images of letter- and card- shaped mail from Delivery Barcode Sequence (DBCS) second pass operations, eliminating the need for manual sampling of DPS letters and cards. ODIS-RPW digital data are expanded to produce ZIP-Day DPS estimates. Pursuant to the approval of Proposal Nine in Docket No. RM2017-13, CCCS will also begin to use the ODIS-RPW Digital image data in place of manual sampling in FY2018. Mailpiece information obtained from ODIS-RPW digital sampling is similar to RCCS DPS data elements, including the destinating carrier route number. Currently, the ODIS-RPW digital sampling frame of ZIP-Days covers approximately 75 percent of the RCCS frame of rural routes.

### **PROPOSAL:**

This proposal would allow utilization of the same digital data (regarding DPS pieces destined for delivery by rural routes) currently employed by ODIS-RPW to simultaneously enhance the RCCS estimation of delivered DPS volumes, and to thereby eliminate the need to manually sample a large portion of DPS mail. More detailed information about the variables recorded in the digital data can be found in the response to CHIR No. 1 Question 1 in Docket No. RM2017-13, filed on October 16,

2017. As ODIS-RPW digital data were made available, RCCS personnel would isolate the data destined for rural routes using the image attribute file that contains the destinating rural route number. Next, SAS programs would map the ODIS-RPW data to mailcodes and data elements used by RCCS. More details about the mapping of products to mailcodes can be found in the RCCS Digital Mailcode Flowchart Excel file electronically attached to this Petition. Using processes similar to RCCS, End-of-Run control totals would be used to expand the ODIS-RPW digital rural data to ZIP-Day estimates (first stage) and national estimates (second stage). The RCCS Digital System documentation electronically attached to this Proposal as a pdf document provides more details on these procedures. For rural routes in ZIP Codes that are not included in the ODIS/RPW digital sampling frame, the current methodology of manually sampling DPS mail would continue, and those estimates would be combined with the digital DPS estimates to produce the distribution key for DPS mail used to apportion street activity costs to categories of mail in Cost Segment Cost Segment 10 (CS 10).

**RATIONALE:**

The Postal Service believes that including ODIS-RPW digital data would greatly enhance the RCCS DPS estimates. In essence, this proposal would substantially magnify the benefits of the movement towards utilization of digital data already approved by the Commission in Orders Nos. 2739 and 4278. Although manual DPS mail sampling of RCCS routes in ZIPS not included in the ODIS-RPW digital frame (about 25 percent of routes) would continue, RCCS data collectors on most RCCS tests would no longer have to take the time to pull sample mailpieces from DPS letter trays. This would allow them more time to devote to sampling other mail types, like parcels

and cased letters and flats. Additionally, this may help to avoid delaying the carrier leaving the office to deliver mail.

Because the automated, systematic method of collecting images of DPS letters and cards is used to collect the sample, this proposal of replacing manual sampling would reduce the risk of undetected sampling errors. Additionally, the retention of the mailpiece images for thirty days would allow for review and post-analysis by data collectors and their supervisors.

The use of ODIS-RPW digital data destined for rural carrier routes would increase the number of DPS sampled mailpieces by approximately 450 percent. Quarterly, there are approximately 120,000 DPS mailpieces sampled in RCCS. Using the digital data from ODIS-RPW, approximately 550,000 mailpieces would be sampled. The number of RCCS tests would increase by approximately 330 percent. Quarterly, there are approximately 1,600 RCCS tests. The number of digital tests from ODIS-RPW digital data is approximately 5,400 per quarter. Starting in PQ1 FY18, RCCS is using the Universal Delivery Statistics File (UDSF) as the sampling frame. For further detailed information, please see the RCCS Digital System documentation electronically attached to this Proposal as a pdf document.

### **IMPACT:**

The table below compares the FY17 DPS distribution key proportions and estimates the impact on unit costs from the proposal. The proposed methodology is based on the preliminary FY18 YTD (PQ1) DPS digital data collected by ODIS-RPW data collectors. As shown in the table and the accompanying Excel file attached electronically, the expected impact would be minimal.

Impact of Proposal One

		Proposed	Proposed
	FY18Q1 RCCS	FY18Q1 RCCS	C/S 10 Unit Cost
	DPS DK	DPS DK	Difference
	Proportions	Proportions	w/PiggyBacks
<b>Domestic Market Dominant Products</b>			
<b>First-Class Mail</b>			
<b>Single-Piece Letters</b>	13.47%	13.51%	\$ (0.0000)
<b>Single-Piece Cards</b>	0.57%	0.53%	\$ 0.0005
<b>Presort Letters</b>	32.57%	33.02%	\$ (0.0001)
<b>Presort Cards</b>	1.45%	1.73%	\$ (0.0010)
<b>Single-Piece Flats</b>			
<b>Presort Flats</b>			
<b>Parcels</b>			
<b>Marketing/Standard Mail</b>			
<b>High Density and Saturation Letters</b>	5.83%	4.64%	\$ 0.0014
<b>High Density and Saturation Flats/Parcels</b>			
<b>Every Door Direct Mail-Retail</b>			
<b>Carrier Route</b>	0.03%	0.08%	\$ (0.0001)
<b>Letters</b>	45.56%	46.06%	\$ (0.0001)
<b>Flats</b>			
<b>Parcels</b>			
<b>Total Periodicals</b>	0.02%	0.03%	\$ (0.0000)
<b>US Postal Service</b>	0.43%	0.36%	\$ 0.0006
<b>Free Mail</b>	0.00%	0.00%	\$ 0.0000
<b>Total Domestic Competitive Mail and Services</b>	0.00%	0.00%	\$ (0.0000)
<b>Total International Mail And Services</b>	0.07%	0.04%	\$ 0.0002
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	